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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

✓ 92-2264

For Quarter Ended: March 31, 1992 COMMISSION FILE NUMBER 0-14612

Wayne Bancorp, Inc. /OH/

(Exact name of registrant as specified in its charter)

Ohio

34-1516142

(State or other jurisdiction of incorporation
or organization)

(IRS Employer
Identification No.)

112 West Liberty Street, P.O. Box 550 Wooster, Ohio

44691

(Address of principal executive offices)

(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Number of shares of Common Stock, Par Value \$1.00 per Share, Outstanding
at March 31, 1992: 839,240



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WAYNE BANCORP, INC.
FORM 10-Q

For The Quarter Ended March 31, 1992

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PART I - FINANCIAL INFORMATION
ITEM 1 - FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	March 31, 1992	December 31, 1991
ASSETS		
Cash and due from banks.....	\$10,568,050	\$10,475,984
Federal funds sold.....	7,240,000	6,250,000
Investment securities (market value March 31, 1992 \$87,095,888 and December 31, 1991 \$94,597,431) (note 2).....	85,838,755	92,589,981
Bankers' acceptances and term federal funds sold.....	0	993,742
Loans (note 3).....	165,237,925	162,114,183
Less:		
Unearned Income.....	3,536,214	4,515,840
Allowance for loan losses.....	2,159,794	2,058,638
Net Loans.....	159,541,917	155,539,705
Premises and equipment.....	5,767,855	5,827,383
Investment in affiliates.....	373,522	373,522
Other Assets.....	7,022,489	6,591,392
TOTAL ASSETS.....	\$276,352,588	\$278,641,709
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Interest bearing.....	\$213,543,069	\$213,375,764
Non-interest bearing.....	28,598,387	30,132,894
Total deposits.....	242,141,456	243,508,658
Federal funds sold and securities sold under agreements to repurchase.....	5,296,014	6,156,636
Other liabilities.....	2,681,266	3,276,934
Total liabilities.....	250,118,736	252,942,228
Shareholders' equity:		
Capital stock, common, par value \$1....	839,240	839,240
Shares authorized - 1,200,000		
Issued and Outstanding - 839,240		
Capital surplus.....	2,200,000	2,200,000
Retained earnings.....	23,194,612	22,660,241
Total shareholders' equity.....	26,233,852	25,699,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY..	\$276,352,588	\$278,641,709

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Three months ended March 31,	
	1992	1991
INTEREST INCOME:		
Interest and fees on loans and leases.....	\$4,034,934	\$3,801,694
Interest and dividends on investment securities:		
Taxable.....	1,295,169	1,390,973
Nontaxable.....	284,067	184,855
Interest on bankers' acceptances and term federal funds sold.....	6,258	6,944
Other interest income.....	62,951	114,600
Total interest income.....	5,683,379	5,499,066
INTEREST EXPENSE:		
Interest on deposits.....	2,752,754	2,792,303
Interest on repurchase agreements and other borrowings.....	47,607	129,064
Total interest expense.....	2,800,361	2,921,367
NET INTEREST INCOME.....	2,883,018	2,577,699
Provision for loan losses.....	225,000	225,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	2,658,018	2,352,699
OTHER INCOME:		
Income from fiduciary activities.....	186,000	165,000
Service charges and fees.....	252,532	219,218
Other non-interest income.....	163,700	202,050
Total other income.....	602,232	586,268
OTHER EXPENSES:		
Salaries and employee benefits.....	976,172	855,223
Occupancy and equipment.....	177,323	179,106
Other non-interest expenses.....	1,080,341	921,932
Total other expenses.....	2,233,836	1,956,261
INCOME BEFORE INCOME TAX EXPENSE.....	1,026,414	982,706
INCOME TAX EXPENSE.....	282,233	280,444
NET INCOME.....	\$744,181	\$702,262

NET INCOME PER SHARE (note 4)	\$0.89	\$0.84
DIVIDENDS PER SHARE (note 4)	\$0.25	\$0.25

See notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Three months ended March 31,	
	1992	1991
OPERATING ACTIVITIES		
Net income.....	\$744,181	\$702,262
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses.....	225,000	225,000
Depreciation and amortization.....	94,905	113,094
Amortization of investment security premiums and discounts.....	128,078	(28,486)
Decrease (increase) in interest receivable....	(123,213)	(262,388)
Increase (decrease) in interest payable.....	(354,530)	22,121
Other (net).....	(549,022)	(413,174)
Net cash provided by operating activities.....	165,399	358,429
INVESTING ACTIVITIES		
Net decrease (increase) in federal funds sold.....	(990,000)	(4,200,000)
Purchase of investment securities.....	(3,154,875)	(7,314,087)
Proceeds from maturities of investment securities..	9,778,023	5,302,905
Net decrease in bankers' acceptances and term federal funds sold.....	993,742	2,000,000
Proceeds from the sale of loans.....	0	4,959,417
Net decrease (increase) in loans and leases.....	(4,227,212)	1,575,473
Purchase of premises and equipment.....	(35,377)	(371,947)
Partnership equity distribution.....	0	0
Net cash provided by investing activities.....	2,364,301	1,951,761
FINANCING ACTIVITIES		
Net increase (decrease) in deposits.....	(1,367,202)	(254,416)
Net increase in short term borrowings.....	(860,622)	(2,574,493)
Cash dividends.....	(209,810)	(209,810)
Net cash (used by) financing activities.....	(2,437,634)	(3,038,719)
Increase (decrease) in cash and due from banks.....	92,066	(728,529)
Cash at beginning of period.....	10,475,984	10,105,632
Cash at end of period.....	\$10,568,050	\$9,377,103

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. **Basis of presentation:**
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and such adjustments are of a normal recurring nature. Certain prior year amounts have been reclassified to conform with current financial statement presentation.

2. **Summary of book and market values of securities follows:**

	March Book	31, 1992 Market	December Book	31, 1991 Market
U.S. Treasury.....	\$17,136,706	\$17,416,270	\$18,198,337	\$18,640,350
Government agencies.....	25,366,840	25,582,723	30,392,784	30,874,041
Federal Agency Pools.....	16,037,319	16,314,968	17,081,860	17,534,563
Mortgage backed obligations	5,211,031	5,249,595	5,829,097	5,886,998
Obligations of states and political subdivisions...	20,256,348	20,655,191	19,747,275	20,259,699
Other securities.....	1,830,511	1,877,141	1,340,628	1,401,780
Total.....	\$85,838,755	\$87,095,888	\$92,589,981	\$94,597,431
	=====	=====	=====	=====

3. **Loans:**
Loans are comprised of the following:

	March 31, 1992	December 31, 1991
Commercial loans.....	\$60,778,885	\$56,072,324
Real estate loans.....	59,123,960	57,983,259
Installment loans.....	32,692,501	34,358,928
Lease financing.....	3,608,663	3,821,567
Credit card loans.....	4,961,106	5,689,230
HOME loans.....	4,056,263	4,103,353
Other.....	16,547	85,522
Total.....	\$165,237,925	\$162,114,183
	=====	=====

4. **Per share data:**
Per share data is calculated based on 839,240 average common shares outstanding for both periods presented.

WAYNE BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CONDITION

ITEM II - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

Liquidity And Interest Rate Sensitivity

The main objectives of asset/liability management are to provide adequate liquidity and to minimize interest rate risk. Liquidity is the ability to meet cash flow needs, which in the banking industry, refers to the ability to fund customer borrowing needs as well as deposit withdrawals. The Company's primary source of liquidity is the daily Federal Funds Sold and investment securities, in particular, the investments with shorter maturities. At March 31, 1992, the amount of Federal Funds Sold and investment securities maturing within the next three months was \$11.1 million. In addition, other assets such as cash and non-interest bearing deposits with banks, and maturing loans also provide additional sources of liquidity. The Company continues to keep a balance between short and long-term investments that will provide adequate liquidity and at the same time maximize earnings. Based on the Company's capital position, profitability and reputation, the available liquidity sources are considered adequate to meet the current and projected needs of the Company.

Interest rate risk and rate sensitivity is measured by an analysis of the Company's "GAP". GAP is the difference between the volume of assets and liabilities that will mature or reprice within a specific time frame. At March 31, 1992, the Company had a GAP position of -5.43% of total assets for a one year period. A liability sensitive position will benefit the Company in a falling rate environment. A positive GAP will be a benefit in a rising rate environment.

Capital

The Company's capital adequacy is a primary concern in our industry today and is measured by several key ratios. A long standing measure of capital adequacy is the percentage of shareholders equity to assets. At March 31, 1992, the Company's equity-to-asset ratio was 9.5% compared to 9.2% at December 31, 1991. Regulators of the banking industry focus primarily on two other measurements of capital - the risk based capital ratio and the leverage ratio. The risk based capital ratio consists of a numerator of allowable capital components and a denominator of an accumulation of risk-weighted assets. With a significant portion of the Company's investment securities portfolio in government related low risk categories and a fair amount of the loan portfolio in one to four family mortgage loans with a 50% risk assessment, the risk based capital ratio is 15.7% at March 31, 1992 and December 31, 1991. The regulatory requirement for these periods is 7.25% (8.0% by December 31, 1992).

The regulators are looking for institutions to maintain a leverage ratio above 3.0%. The regulators will expect most banks to maintain leverage ratios of 4-5%. The leverage ratio is calculated as equity capital less some intangible assets divided by total assets less the same intangible assets. At March 31, 1992 and December 31, 1991 the leverage ratios were 8.7% and 8.5% respectively.

Financial Condition

Total assets decreased by \$2,289,121 or 0.8% from December 31, 1991 to March 31, 1992. The decrease was primarily due to temporary funds deposited by retail customers at December 31, 1991 and withdrawn by March 31, 1992. Total loans increased \$3,123,742 due to an increased demand in the commercial and real estate loan areas offset with declines in consumer lending and leasing of Company assets. This increase in loans was funded by maturing investment securities, primarily in the U.S. government agencies portfolio. Total investment securities declined \$6,751,226 from December 31, 1991. Government Agency securities fell \$5,025,944. Treasury obligations, Agency Pools and Mortgage backed obligations fell a combined \$2,724,238. These matured securities were used to fund the loan growth as well as a decline in deposits. Total deposits decreased \$1,367,202, however, the ratio of interest bearing to non-interest bearing deposits changed only slightly. The interest-bearing deposits increased by \$167,305 while non-interest bearing deposits decreased by \$1,534,507 or 5.1%. This has been the trend for the past few years. Securities sold under agreements to repurchase decreased \$860,622 or 14.0% from December 31, 1991.

Results of Operations

Net income was \$744,181 for the first three months of 1992 compared to \$702,262 for the same period in 1991. Earnings per share for the first quarter 1992 and 1991 were \$.89 and \$.84 respectively. Dividends were \$.25 per share for the first quarter 1992 and 1991.

Total interest income for the first quarter increased \$184,313 or 3.4% compared to the previous year. This increase is due primarily to an increase in total loans. The increase in total loans is \$26.6 million for the one year period March 31, 1991 to 1992. This increase is a result of the acquisition of approximately \$18.6 million in loans from the former First Savings and Loan in July of 1991. In addition, real estate lending has increased approximately \$26.2 million while lending in the consumer and other areas has declined significantly. The fall in consumer type lending is attributed to the weak economy. This growth in lending is offset by a significant decline in interest rates. The prime rate has fallen from 9.0% in March of 1991 to 6.5% in March of 1992. This decline in interest rates caused a flurry of real estate loan refinancing, as well as moved the weighted interest rate on the Company's earning assets from 9.86% to 8.71%. Total interest expense for the first quarter declined \$121,006. Total interest paying deposits increased approximately \$39 million from March 31, 1991. This increase is primarily due to the acquisition of approximately \$37 million of deposits from First Savings and Loan, all of which were interest bearing. This increase in deposits was offset by a decline in the weighted interest rate paid from 6.39% at March 31, 1991 to 5.04% at March 31, 1992. The effect of the above mentioned events was an increase in net interest income of \$305,319.

Other income increased \$15,964 for the first quarter 1992 compared to the same period in 1991. The increase is due to the additional accounts acquired from First Savings that are subject to service charges. Total fiduciary income is up as the trust department recently increased fees that are charged on their accounts. Other non-interest income is down due to the "packaging" of other customer services at lower fees, so as to remain competitive in our market. Salaries and employee benefits increased \$120,949 due to an increased number of employees, primarily at the three acquired branches. Occupancy and equipment and other non-interest expense increased a combined \$156,626 or 14.2% as deposit insurance increased \$43,040, computer expense increased \$63,774 and expenses related to the amortization of intangible assets from the acquisition of First Savings and Loan were \$34,458. Income tax expense increased \$1,789 as pre-tax income increased \$43,708, offset by an increase in tax free income from securities of states and political subdivisions of \$99,212 over the same period in 1991.

WAYNE BANCORP, INC.

PART II - OTHER INFORMATION

ITEM 1 - Legal Proceedings:
NONE

ITEM 2 - Changes in securities:
NONE

ITEM 3 - Defaults upon senior securities:
NONE

ITEM 4 - Submission of matters to a vote of securities holders:
NONE

ITEM 5 - Other information:
NONE

ITEM 6 - Exhibits and reports on Form 8-K:
NONE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

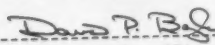
Wayne Bancorp, Inc.

(Registrant)

Date May 4, 1992


David L. Christopher,
Chairman, President & CEO

Date May 4, 1992


David P. Boyle, CPA
Vice President and Controller
Wayne County National Bank
(Chief Financial Officer and
Principle Accounting Officer)